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UNDP FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

ANNUAL REVIEW OF THE FINANCIAL SITUATION, 1993

Report of the Administrator

Addendum

PROPOSED AMENDMENTS TO THE UNDP FINANCIAL REGULATIONS AND RULES

Note: Deletions are in brackets [] and insertions are underlined

	BASIS FOR CHANGE
Article I. APPLICABILITY	
Regulation 1.3: These Regulations shall become effective on [1 January 1982] 1 January 1995.	Effective date of these amendments
Article II. DEFINITIONS	
Regulation 2.1: For the purpose of the Financial Regulations of UNDP, the following definitions of the main entities involved in the activities of UNDP shall apply:	
(c) "[Governing Council]" "Executive Board" shall mean the [Governing Council] Executive Board of UNDP	Change in designation from Governing Council to Executive Board

(h) "executing agency" shall mean an entity to which the Administrator has entrusted the [implementation of UNDP assistance to a project] overall management, by national government authorities or by a United Nations agency, of a programme/project, along with the assumption of responsibility and accountability for the production of outputs, achievement of programme/project objectives and for the use of UNDP resources; and shall include the following:

Governing Council decision 92/22

(i) A recipient Government or Governments;

(ii) Organizations of the United Nations system, i.e. the United Nations, the specialized agencies, the International Atomic Energy Agency, [and] other organizations that are or become part of the United Nations system, and the United Nations Office for Project Services. These organizations are referred to as participating and executing agencies;

Executive Board decision 94/12, paragraph 10, requesting OPS to report "on ways of establishing OPS as a separate and identifiable entity".

(iii) A governmental or intergovernmental institution or agency not part of the United Nations system;

(iv) UNDP itself.

Report to the Executive Board DP/1994/62

Where the provisions of a Regulation apply to only one or some of the categories of executing agencies referred to above, the Regulation so specifies.

(i) "implementing agency", if other than the executing agency, shall mean an entity engaged by and accountable to the executing agency to procure and deliver programme/project inputs and their conversion into programme/project outputs;

Governing Council decision 92/22

Regulation 2.2: For the purposes of the Financial Regulations of UNDP, the following definitions in respect of specific terms used shall apply. These terms are listed in alphabetical sequence.

C

(vi) "cost-sharing" shall mean an arrangement by which costs of projects that are normally charged to an IPF and the reimbursement of the related agency support costs are covered in full or in part by a contribution from the Recipient Government or Governments, one or more Governments other than the Recipient Government or Governments, or an organization of Governments, or organizations of the United Nations system, or from intergovernmental institutions, or agencies not part of the United Nations system. Such arrangements may be made on the following basis:

- Project cost-sharing, whereby the contribution relates to a specific project;
- Programme cost-sharing, whereby the contribution does not relate to a specific project but to all or several projects in a Recipient country or region; and
- Third-party cost-sharing, which can be either project or programme cost-sharing, whereby the contribution is paid by one or more entities other than the Recipient Government or Governments.

Governing Council decision 92/22

Harmonization with UNFPA Regulation 2.2

Streamlining and increased efficiency in handling of funds

E

(iii) "execution" shall mean the overall management, by national government authorities or by a United Nations agency, of the programme/project, along with the assumption of responsibility and accountability for the production of outputs, achievement of programme/project objectives and for the use of UNDP resources;

Governing Council decision 92/22

I

(iv) "implementation" shall mean the procurement and delivery of programme/project inputs and their conversion into programme/project outputs;

Governing Council decision 92/22

M

(i) "micro-capital grant" shall mean the financial assistance provided to an intermediary, which includes non-governmental or grass-roots organizations in an amount not exceeding $50,000 for each individual grant. — Governing Council decisions 90/15 and 92/45; Document DP/1992/16

N

(ii) "national execution" shall mean the acceptance, inter alia, of overall responsibility for the formulation and management of UNDP-assisted programmes/projects by the recipient country and accountability to the Administrator for the effective use of UNDP resources; — Governing Council decision 91/27

Article IV. UNDP FUNDS

Regulation 4.6: [A voluntary contribution to UNDP shall be deemed readily usable if previous accumulations of contributions from the Donor country amount to less than the contribution itself.] In view of the multilateral nature of the Programme, non-recipient donor countries making voluntary contributions wholly or partly in non-convertible currencies may pay a gradually increasing share of their contributions in convertible currencies. — Governing Council decision 93/37

Regulation 4.7: Entities headquartered in a net donor country which has contributed in a non-convertible currency shall be reimbursed for services and equipment purchased under the Programme only in the currency of that country where such a currency is accumulated and until such accumulation is used; conversely, if when utilizing a non-convertible contribution, costs are incurred in other currencies, these shall be reimbursed to UNDP in a convertible currency. — Governing Council decision 93/37

Regulation [4.7] 4.8 — Renumbering

Regulation [4.8] 4.9 — Renumbering

Rule 104.6

A recipient Government is expected to contribute, as described in Regulation [4.8 (a)] 4.9 (a), to the support of programme activities. Such contributions shall be a separately identified part of its voluntary contribution. These contributions shall become payable on 1 January of the year to which they refer. Payments in local currency shall be credited in United States dollars at the United Nations operational rate of exchange in effect on the date of payment.

Renumbering

Regulation [4.9] 4.10

Renumbering

Rule 104.8

The Administrator shall arrange for the collection from host Governments of their agreed contributions towards the costs of UNDP Field Offices. Negotiations with respect to the amount and/or form of such payments shall be in accordance with relevant Executive Board decisions and take into consideration the economic conditions of the countries concerned and may result in the granting by the Administrator of a partial waiver of contributions.

To take into account relevant Executive Board decisions on Government contribution to field office costs

Regulation [4.10] 4.11: The Administrator is authorized to enter into project, programme and/or third-party cost-sharing agreements, [including third-party cost-sharing agreements] provided these have been accepted by the recipient country or countries, subject to such principles as the [Governing Council] Executive Board may establish.

Renumbering

Harmonization with UNFPA Regulation 4.12

Streamline and increased efficiency in handling of funds.

Regulation [4.11] 4.12: Cost-sharing agreements and contributions thereunder shall be subject to the following conditions:

Renumbering

Streamline and increased efficiency in handling of funds

(a) Contributions shall be denominated in United States dollars; however, the Administrator may accept payment in the local currency of [a recipient] the contributing Government to the extent the Administrator [decides it is needed] considers that such currency could be used to meet operational requirements;

Regulation [4.12] 4.13

Renumbering

Regulation [4.13] 4.14	Renumbering
Regulation [4.14] 4.15: Where the purpose of a donation is the general support of UNDP and no limitations are imposed by the donor as to its use, the moneys received shall be treated as donations to UNDP for credit to the UNDP Account, as defined in Regulation 2.2 U (i). Donations proposed for specific purposes shall be treated under the provisions for cost sharing of Article IV or under the provisions for trust funds of Article V, as appropriate.	Renumbering Streamline and increased efficiency in handling of funds Amendment to Regulation 2.2 C (vi) "cost sharing"
Regulation [4.15] 4.16	Renumbering
Regulation [4.16] 4.17: All income to UNDP shall be classified as miscellaneous income, except:	Renumbering
(a) The income from the items specified in Regulations 4.1 through [4.15] 4.16;	
Regulation [4.17] 4.18	Renumbering
Article V. TRUST FUNDS	
Regulation 5.4: The Administrator may establish trust funds at the request of the Secretary-General to provide assistance in responding to resolutions of the Security Council or General Assembly. The Administrator will establish cost-effective execution modalities for such trust funds, as appropriate, utilizing resources available in the United Nations system to the extent possible, and ensuring that all related costs are fully covered from the trust fund. The Administrator shall report on such trust funds to the Executive Board through the Advisory Committee.	To enable the Administrator to respond efficiently and effectively to requests for assistance from the Secretary-General
Rule 105.4	
UNDP shall enter into commitments under trust fund activities only when it has received from the Donor(s) funds sufficient to finance such commitments [or where an agreed payment schedule covering the commitments exists].	

Article VIII. PROGRAMME ACTIVITIES

Rule 108.11

With the exception of programme logistical support projects, resident representatives may take the following actions, on behalf of the Administrator, in respect of country projects, provided such actions do not result in the annual ABL being exceeded and are otherwise consistent with the Administrator's authority:

Governing Council decisions 93/20 IX and

Document DP/1993/24, paragraphs 17-21 on Decentralization

(a) To approve assistance to new projects at a cost of up to [$400,000] $1,000,000, including, where applicable, assistance provided through cost-sharing;

(b) To approve assistance to new projects at a cost in excess of [$400,000] $1,000,000, whenever specifically so authorized by the Administrator or his designate at headquarters;

(c) To approve preparatory assistance for projects covered under (a) and (b) above;

(d) To approve revisions of projects budgeted at [$400,000] $1,000,000 or less, in the following circumstances:

(i) Where the total budget of a given project after the revisions does not exceed [$400,000] thirty per cent (30%) of the project budget prior to the revision;

(ii) Where changes in expert costs or other cost increases are necessary due to inflation or the application of executing agency expenditure flexibility;

(e) To approve [the following] revisions for projects for which project approval has not been delegated to them, as per guidelines issued by the appropriate Regional Bureau or Division at headquarters; and

[(i) Increases up to $250,000 in cost per project (including, where applicable, cost-sharing) provided such increases do not significantly alter the objectives, outputs or activities of the project; and

(ii)] Changes described in subparagraph (d) (ii) above.

Regulation 8.10: UNDP assistance to projects approved under Regulations 8.8 and 8.9 above shall be approved on a partially funded basis consistent with the provisions of Regulation 8.7 above and shall be subject to the following arrangements for project implementation:

To enable the Administrator to contract NGOs and other entities in the execution of programmes and projects

(e) [Under conditions established by the Governing Council, t]The Administrator [is also authorized] may, subject to the agreement of the requesting Government or Governments, [to] contract for the services of other agencies, private firms or individual experts in the execution of projects and [to] assign projects to a governmental, [or] intergovernmental, or organization [institution or agency] not part of the United Nations system, or to UNDP itself [for execution] if the entity meets the following conditions:

(i) It has the ability to: reach and mobilize local associations and groups at the local level; interpret and communicate national policy goals and strategies at the local level; and ensure project sustainability beyond the funding period;

(ii) It has technical and/or scientific capacities not available in the United Nations system;

(iii) It has special qualifications for building collective decision-making systems which are respectful of local customs and traditions;

(iv) It has the capacity to strengthen the capacities of local organizations in areas essential to the promotion of sustainable human development;

(v) It has special qualifications for bringing about dialogue and partnership arrangements between the Government and the local community; and

(vi) It has proven operational and managerial capacity and the ability to provide the needed services in a cost-effective manner and ensure its accountability to the Administrator.

Regulation 8.12: The Administrator is authorized to incorporate microcapital grant support in association with technical cooperation programmes. Such microcapital assistance may be in the form of small grants, credits or loans implemented through an intermediary which includes non-governmental or grass-roots organizations.

Governing Council decisions 90/15 and 92/45

Document DP/1992/16

Article XIV. INTERNAL CONTROL

Rule 114.17

(d) In carrying out procurement functions, the Assistant Administrator or his authorized delegate may request an executing or implementing agency to take procurement action on behalf of UNDP. In such cases, the agency's action shall be governed by the Financial Regulations and Rules of the agency concerned, unless otherwise agreed by the agency and UNDP.

Governing Council decision 92/22

Rule 114.21

(b) The composition of the UNDP Contracts Committee and its terms of reference shall be determined by the [Administrator] Assistant Administrator, Bureau for Finance and Administration.

Responsibility for the administration of UNDP Financial Rules and Regulations, as per rule 103.1 (b)

(c) As required, the Assistant Administrator, Bureau for Finance and Administration may establish a local Contracts Committee at any UNDP Field Office with the same terms of reference as the Committee at UNDP headquarters. When established, the composition of each local Committee shall be determined by the UNDP resident representative concerned, in consultation with the [Administrator] Assistant Administrator, Bureau for Finance and Administration.

(e) Notwithstanding subsections (a) (i), (iii) and (iv) of this rule, the Contracts Committee shall review on an ex post facto basis those contracts which would otherwise have been submitted ex ante according to the above cited provisions, where the entity being awarded the contract was selected on the basis of evaluation of at least three (3) technically qualified bids or proposals, and

Increased efficiency in procurement actions

Recommendation from the Board of Auditors in their 1992-1993 report

(i) in the case of bids, the entity's bid was lowest; or

(ii) in the case of proposals, the entity's technical proposal scored the highest, and its financial proposal was the lowest.

Article XVI. THE ACCOUNTS

Regulation 16.1: The Administrator shall submit accounts biennially in respect of the UNDP Account and in respect of all other funds administered by UNDP in accordance with the United Nations System Accounting Standards [showing:

General Assembly decisions 46/445 and 47/449

(a) The income and expenditures;

(b) The assets and liabilities;

(c) The status of allocations for programme activities and the amounts charged against those allocations;

(d) The status of appropriations approved by the Governing Council for the biennial budget and the amounts charged against those appropriations.]

The Administrator shall also give such other information as may be appropriate to indicate the current financial position and shall maintain such accounts and records as are necessary to report to the [Governing Council] Executive Board and the General Assembly on the financial status of funds administered by UNDP.

Rule 116.4

[Except as may be otherwise required by the terms of any trust fund or special account or authorized by the Assistant Administrator, Bureau for Finance and Administration, all income shall be accounted for on a cash basis and all expenditures shall be accounted for on an accrual basis.] All financial transactions shall be accounted for in accordance with the United Nations System Accounting Standards.